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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 000328

SENSITIVE
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SHAPIRO/PASCUAL, TREASURY FOR MOGER/AHERN
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E.O. 12958: DECL: 02/25/2019
TAGS: [ECON](#) [EAID](#) [PREL](#) [EFIN](#) [PGOV](#) [KWBG](#) [IS](#)
SUBJECT: FAYYAD LAUNCHES SHARM APPEAL, ASKS DONORS FOR HELP
WITH GULF ARABS

REF: JERUSALEM 284

Classified By: Consul General Jake Walles for reasons 1.4 (b), d).

Summary

1. (SBU) The Palestinian Authority (PA) released the summary of its "Gaza Early Recovery and Reconstruction Plan" to donors on February 25. The PA requests USD 2.8 billion in 2009, including USD 1.3 billion in early recovery and reconstruction assistance for Gaza, USD 1.15 billion in direct budget support to meet ongoing PA expenses, and USD 300 million in supplementary budget support to help the PA meet additional costs in Gaza caused by the conflict. The PA asks for assistance for Gaza "first and foremost" in the form of budget support, and seeks to coordinate other contributions from donors to avoid duplication. In addition to the funds requested by the PA, the UN will also be seeking contributions in Sharm el-Sheikh to its Flash and Consolidated Appeals.

2. (SBU) In presenting the plan to donors, PA Prime Minister Salam Fayyad stressed the importance of linking pledges in Sharm el-Sheikh to the PA plan and meeting the budget support component. Fayyad said that "key regional donors" need to understand that it is "not the same old PA." "They need to hear it first-hand from you, who have worked with us on a technical basis since Paris," he said. "Help us in front of the Saudis." End summary.

PA Asks for Nearly \$3 Billion

3. (SBU) On February 25, the PA circulated a summary of its "Gaza Early Recovery and Reconstruction Plan" (GERRP) in advance of the March 2 Sharm el-Sheikh conference. The PA's plan requests approximately USD 2.8 billion in 2009 for costs associated with Gaza. It seeks USD 1.326 billion for "early recovery interventions" in Gaza. It also asks donors to meet its 2009 budget shortfall (USD 1.15 billion), noting that around USD 120 million/month of the PA's expenditures - more than 50 percent of the total - goes to Gaza. In addition, the PA asks donors to provide an additional USD 300 million in budget support above the 2009 budget request to meet costs directly associated with the fighting, including emergency shelter, fuel and electricity bills, and medical and social needs. The PA's emergency support efforts previously announced by Prime Minister Fayyad (reftel), totaling nearly USD 700 million, are now folded into the components of this plan.

4. (SBU) The PA's USD 1.3 billion early recovery

interventions are based on a catalogue of damage caused during the fighting in Gaza and are broken down into five categories: social sector, infrastructure, economy, governance, and natural resources and the environment.

-- The social sector request totals USD 315 million: to repair damage to medical facilities, educational establishments, mosques, cultural institutions, historic buildings, and the social safety sector. The largest component, USD 200 million, is for a "Special Protection Fund" and food assistance for the wounded and disabled and their families.

-- The request in the infrastructure sector totals USD 502 million: to repair or reconstruct damaged or destroyed houses, water and sanitation networks, energy infrastructure, roads and bridges, and the telecommunications system. The largest share, USD 348 million, is earmarked for the housing sector.

-- The request for economic support (mainly for the private sector) totals USD 412 million: to restore the agricultural sector, and to repair or reconstruct more than 700 destroyed or damaged industrial and commercial businesses. The plan asserts that the Gazan economy will only be able to recover after crossings open in accordance with the 2005 Agreement on Access and Movement, liquidity returns to the financial system, and the macroeconomic environment stabilizes.

-- The request in the governance section calls for USD 68 million in assistance to repair municipal buildings, commercial markets, and PA security facilities.

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-- The early recovery costs of remedying damage to natural resources and the environment are put at USD 29 million. The clean-up effort will address raw sewage from damaged waste-water infrastructure, land damaged by heavy tracked military vehicles and chemical munitions, unexploded ordnance, and other needs.

"Help Us with the Saudis"

15. (SBU) In presenting the PA's request, PM Fayyad emphasized that he had included the PA's budget needs in the plan because more than half the PA's recurrent expenditures go to Gaza. Without additional budget support, the PA will not be in a position to operate in either the West Bank or Gaza. He noted that the PA's financial situation has not improved over the previous month (when salary payments were delayed). In fact, because the PA extended its lines of credit with local banks in order to make February payments, Fayyad said the PA's options this month are "more limited."

16. (C) Fayyad said he hopes the conference will deliver a political message of support for the PA by linking Gaza reconstruction pledges to the PA plan. In particular, he said, the PA needs help convincing regional donors to partner with the PA on Gaza. (Fayyad's senior advisor, Hassan Abu-Libdeh, told EconChief privately that a decision by the Gulf Arabs to manage and execute their Gaza reconstruction fund independent of the PA will have "serious consequences" for the Prime Minister. "He's being hounded by Hamas, Fatah and now the Arabs?" Abu-Libdeh asked rhetorically.)

17. (SBU) Fayyad asked that donors in Sharm el-Sheikh emphasize their confidence in the PA's reform efforts over the past year and a half. "Those of you who deal with us on a technical basis," he said, "need to highlight your experiences with us to Arab donors." He said that if the PA's financial accounting practices and transparency are good enough for Western donors to offer direct budget support, then it should be enough for Arab states. "However, there is a perception among some of them that the PA hasn't changed."

18. (U) The GERRP does not envision any new financing mechanisms, but rather calls on donors to channel assistance primarily through the PA's Single Treasury Account as direct, un-earmarked budget support. The plan suggests utilizing additional existing mechanisms, including the EU's PEGASE, the PRDP Trust Fund, World Bank co-financing mechanisms, Arab and Islamic development funds, and UN agency channels in coordination with the PA. The PA will rely on existing PRDP oversight mechanisms to ensure "transparent, efficient and accountable implementation."

19. (U) The PA's summary document has been posted on Consulate General Jerusalem's unclassified intelink site ([http://www.intelink.gov/communities/state/pa lecon](http://www.intelink.gov/communities/state/pa_lecon)).
WALLES